

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI

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E.O. 11652: N/A

TAGS: EAID, IN

SUBJECT: PL-480 NEGOTIATIONS - STATUS REPORT

1. AS EMBASSY AWARE, INDIAN EMBASSY AND USG CONCURRED IN LANGUAGE AGREED MINUTES RELATED TO PL 480 SALES AGREEMENT ON JANUARY 23. LANGUAGE SUBSEQUENTLY SUBMITTED TO GOI FOR REVIEW AND COMMENT.

2. ON FEBRUARY 18, RAMAKRISHNA CALLED ON DEPARTMENT AND PRESENTED GOI COMMENTS ON PROPOSED LANGUAGE. FULL DESCRIPTION GOI SUGGESTED CHANGES POUCHED EMBASSY (LANDE) FEBRUARY 21, FOR EMBASSY INFORMATION ONLY. IN BRIEF, FOLLOWING CHANGES IN AGREED MINUTES WERE PROPOSED BY GOI:

A. SECTION 3 C OF AGREED MINUTES, THIRD PARAGRAPH,
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SHOULD READ "BOTH SIDES NOTED THAT THE ISSUE OF SUCH

REPAYMENT IS NOT LIKELY TO ARISE DURING THE PERIOD WHEAT WILL BE IMPORTED OR UTILIZED UNDER THIS AGREEMENT." (WE WISH TO RETAIN PHRASE "DOES NOT ARISE" RATHER THAN ACCEPT "IS NOT LIKELY TO ARISE".)

B. SECTION 3 D, SUBSECTIONS III AND IV (DEALING WITH SALES PROCEEDS) SHOULD BE OMITTED ENTIRELY, AND REPLACED

BY THE PHRASE "IT WAS AGREED THAT ARTICLE II F WOULD NOT BE APPLICABLE, BUT THAT THE PROCEEDS OF COMMODITIES FINANCED UNDER THIS AGREEMENT, NOT LESS THAN THE DOLLAR COST TO THE EXPORTING COUNTRY FOR PROCURING THE COMMODITIES, WILL CONSTITUTE AN ADDITIONAL RESOURCE ONLY FOR FINANCING THE ECONOMIC DEVELOPMENT PROGRAMS SPECIFIED IN PART II OF THE AGREEMENT." IN DISCUSSIONS WITH RAMAKRISHNA, IT BECAME APPARENT THAT THE GOI COULD IN FACT ACCEPT PARAGRAPH II F EXCEPT FOR THE LANGUAGE RELATING TO INTEREST RATES ON LOANS AND THE REPORTING REQUIREMENT. (WE DESIRE TO RETAIN BOTH, BUT ARE PREPARED TO CONSIDER ANY CHANGES PROPOSED BY THE GOI WHICH WOULD ENSURE WE RECEIVED A MINIMUM OF REPORTING ON SALES PROCEEDS AND THAT INTEREST RATES ISSUE EITHER BE FINESSED OR THAT RATES CHARGED ON LOANS USING SALES PROCEEDS ARE ROUGHLY EQUIVALENT TO RATES CHARGED ON SIMILAR LOANS IN INDIA.)

C. PARAGRAPH 3 E OF THE AGREED MINUTES SHOULD BE OMITTED (TERMINATION CLAUSE LANGUAGE). WE THUS REVERT TO THE ORIGINAL LANGUAGE OF THE STANDARD AGREEMENT. (WE ARE PREPARED TO ACCEPT THIS.)

D. THE GOI PROPOSED THAT, ALTHOUGH RICE IS TO BE OFFERED UNDER PL 480, THERE SHOULD BE NO LIMITATION ON THE EXPORT OF BASMATI RICE FROM INDIA. (WE ARE PREPARED TO AGREE TO SOME BASMATI EXPORTS, BASED ON THE AVERAGE EXPORTS OF THIS TYPE OF RICE FROM INDIA OVER THE PAST FIVE YEARS. EXPORT FIGURES USED OBTAINED FROM NEW DELHI'S TOFAS 30.)

3. APPROPRIATE USG AGENCY REPRESENTATIVES MET FEBRUARY 20 LIMITED OFFICIAL USE

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TO DISCUSS GOI SUGGESTIONS, AND AGREED TO ARRANGE A MEETING WITH INDIAN EMBASSY OFFICIALS AS SOON AS POSSIBLE. MEETING NOW SET FOR MONDAY MORNING, FEBRUARY 24.

4. EMBASSY REQUESTED NOT TO DISCUSS USG POSITIONS RE VARIOUS POINTS IN PARA 2 ABOVE. TO AVOID FURTHER CONFUSION, WE WISH KEEP NEGOTIATIONS HERE IN WASHINGTON, BUT WILL KEEP YOU FULLY INFORMED. KISSINGER

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